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# THE CARIBBEAN SITUATION: NICARAGUA AND SALVADOR

by

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*with the aid of the Research Staff of the Foreign Policy Association*

## INTRODUCTION

THE development of inter-American trade has recently become a major emphasis in the foreign policy of the Roosevelt Administration. But this proposal, which is closely linked with the President's "good neighbor" program toward Latin America, will face among other difficulties the necessity of overcoming certain psychological barriers of mistrust in the nations to the south. These barriers are the result, at least in part, of policies followed by the United States in the Caribbean area.

The practice of intervention in the republics of Central America and the West Indies has excited opposition which came clearly to the surface in the Pan-American Conference at Havana in 1923. A second subject for debate has been the exercise of financial control over certain countries of the Caribbean by American officials. Finally, the policy of withholding recognition from revolutionary governments, applied to Central America since 1907 and for a time extended to South America, has aroused resentment. The present report affords illustration of the application of the intervention policy in Nicaragua and of the non-recognition policy in Salvador. In both of these Central Amer-

ican countries, moreover, officials from the United States exercise supervision in the collection of customs duties.

A change in at least two of the above policies is apparently indicated by recent events. The definite termination of the intervention in Nicaragua, together with the promised withdrawal by November 1, 1934 of the marines from Haiti, promises to clear the American stage of the actual presence of this problem.<sup>1</sup> Such a trend materially increases the possibilities for success at the coming Pan-American Conference which assembles in Montevideo next December. Secondly, the denunciation of the 1923 Central American recognition treaty by two of its signatories foreshadows the need for a reconsideration of the policy embodied therein. The United States, moreover, has promptly recognized the Cuban government which came to power on August 12 as the result of an army *coup* and a general strike. Cuba is not included in the scope of the 1923 treaty, but this recognition by Washington of an essentially revolutionary government reveals anew the discrimination involved in the policy of the United States toward Central America.

## NICARAGUA AND THE ENDING OF UNITED STATES INTERVENTION

January 2, 1933 marked the opening, it is hoped, of a new period in the political history of Nicaragua. On that date the last American marines left the country, thus terminating an intervention which, save for a short period in 1925-1926, had

lasted continuously for twenty years.<sup>1a</sup>

As a consequence of the Tipitapa agreements of May 1927, negotiated by Colonel Henry L. Stimson and General José María Moncada, the United States assumed three tasks designed to end disorder, promote peace, and eliminate the danger of future revolutions: (1) supervision of the 1928 elections and, as it later proved, of the 1930 and 1932 elections as well; (2) the organization of a non-partisan National Guard, and (3) the pacification of the country.

1. An executive agreement between Haiti and the United States, signed on August 7, provided for the complete Haitianization of the constabulary by October 1, 1934, and for the withdrawal of the American marines within the following thirty days. If the President of Haiti so requests, an American military mission of not more than seven members may remain in the country beyond the date specified.

The agreement also authorizes an American fiscal representative to collect the customs of Haiti and to inspect the internal revenue service until the outstanding foreign bonds are paid off, which will probably not be before 1944. Further restrictions on the country's financial administration give the United States greater powers of supervision than it exercises in Cuba, the Dominican Republic or Nicaragua. Cf. "Intervention in the Caribbean?" *Foreign Policy Bulletin*, August 11, 1933.

1a. For the previous history of the intervention, cf. "United States Policy in Nicaragua," *Foreign Policy Association, Information Service*, February 2, 1927; also R. L. Buell, "Reconstruction in Nicaragua" and "American Supervision of Elections in Nicaragua," *Foreign Policy Association, Information Service*, November 12 and December 24, 1930.

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The first and second points in this program were carried out with substantial success. The long-continued Sandino rebellion, however, prevented fulfilment of the third objective before the termination of American intervention. It was only after the United States marines had left the country that domestic peace was finally restored. Early in February 1933, General Sandino flew to Managua, offered to lay down his arms and declared his six-year revolt at an end.

#### SUPERVISION OF 1932 ELECTIONS

During the 1928 campaign the candidates of both major parties agreed that the victor in the contest would request United States supervision of the 1932 presidential poll.<sup>2</sup> As a result of President Moncada's compliance with this agreement,<sup>3</sup> the State Department on January 4, 1932 named Rear-Admiral Clark H. Woodward as chief of an electoral mission composed of four hundred marines.<sup>4</sup>

Although the Conservatives officially abstained from participation in the municipal elections of 1931,<sup>5</sup> both parties entered actively into the 1932 presidential campaign. For a time a party split threatened Liberal success, due to the attempt of President Moncada to dominate the choice of his party's candidate. All factions finally united on Dr. Juan B. Sacasa, Nicaraguan Minister at Washington since 1929.<sup>6</sup> The Conservatives nominated Adolfo Díaz, a notoriously *Americanista* candidate, who became President in 1911 and again in 1926 partly as a result of State Department support.

The elections held on November 6 gave the Liberal candidate a majority of 22,424 out of a total vote of 130,114.<sup>7</sup> The defeat of the pro-

interventionist Adolfo Díaz effectively refuted the charge that the United States, through supervision of elections, would endeavor to control the presidency of Nicaragua. To forestall this criticism, the State Department on January 4, 1932 had made the following statement: "The United States Government of course will not support nor will it oppose the candidacy of any person for the nomination or for election to the presidency."<sup>8</sup> Following the balloting, *La Nueva Prensa*, Conservative organ of Managua, termed the elections "free, just and honest," and paid tribute to the "honor and impartiality" of Rear-Admiral Woodward and his assistants. Later, however, anti-intervention sentiment, which had been growing even in the ranks of the *Americanista* Conservatives—particularly among the younger elements—became vocal. *La Prensa* of Managua, the party's leading newspaper, attributed defeat to the "*Americanista* flag" symbolized in the choice of Adolfo Díaz, and declared that the Nicaraguan people "were not only disillusioned about Americanism, but had definitely decided to rid themselves as far as possible of this factor in their public life."<sup>9</sup> This statement was greeted by widespread applause.

To interpret such criticism as indicative only of the natural disappointment of the defeated party, is to ignore the fact that latent opposition to the intervention has long existed in Nicaragua. Moreover, doubt has been expressed in many quarters that external supervision of elections, no matter how fairly conducted, could ultimately promote the effective exercise of self-government by the Nicaraguans.

#### THE NATIONAL GUARD AND THE SANDINO REVOLT

The organization of the National Guard, designed by the Intervention to be a non-partisan force combining the functions of both army and police, which, with the assistance of the marines would restore and maintain order in the country, was directly related to the program of electoral supervision. It is evident that fair elections are impossible unless a substantial degree of internal peace prevails, and unless the armed forces of the country refrain from partisan interference with ballot-casting.

In its present National Guard, numbering 2,244 men and 216 officers,<sup>10</sup> Nicaragua now possesses the most effective military machine of its history. The Guard gradually replaced United States marines in the active campaigning against the Sandino forces in the

2. Cf. R. L. Buell, "American Supervision of Elections in Nicaragua," cited, which also discusses the supervision of the 1930 congressional elections.

3. Cf. letter to the United States Minister in Managua, June 18, 1931. U. S. Department of State, *The United States and Nicaragua* (Washington, 1932), p. 118.

4. In 1928 the United States Electoral Mission was composed of 900 Americans; in 1930, of 649. ("American Supervision of Elections," cited, p. 386, 390.) In both instances Americans presided over all the local electoral boards, but in the 1932 elections Nicaraguans presided at 247 of the 429 local boards. (State Department, *Press Releases*, January 7, 1932, p. 2.) The cost to the Nicaraguan government of the 1932 elections was \$113,842. (*Annual Report of the Collector-General of Customs, 1932* [Managua], p. 53.) The United States Congress refused to authorize an appropriation for the expenses of the United States electoral mission.

5. In the municipalities of the five provinces most disturbed by *Sandinista* activities—Chontales, Nueva Segovia, Estelí, Jinotega and Matagalpa—President Moncada (Liberal) had substituted appointive officials for the elected authorities. The Conservatives demanded that the latter be restored for the 1931 campaign. This demand was refused by the President, who finally suspended the elections in the five provinces concerned. As a result, the Conservatives abstained from participation in the elections. *The United States and Nicaragua*, cited, p. 117.

6. In 1924 he had been elected Vice-President, serving later as the head of the 1926 government which the State Department refused to recognize.

7. The small fluctuation between the 1928 and 1932 election figures is interesting to note:

	1928	1932
Liberals .....	76,210	76,269
Conservatives .....	56,739	53,845
Totals .....	132,949	130,114

*Annual Report of the Collector-General of Customs, 1932*, cited, p. 51-52.

8. *The United States and Nicaragua*, cited, p. 119.

9. *La Prensa* (Managua), November 8, 1932.

10. *Annual Report of the Collector-General of Customs, 1932*, cited, p. 56.



north.<sup>11</sup> In April 1929 Guard detachments began to assume combat duty, and this transfer was continued until May 12, 1931, when all marines were concentrated in Managua and Corinto, leaving to the Guard the entire responsibility for active operations in the field.<sup>12</sup>

### The Campaign Against the Insurgents

It had been hoped that the Guard would prove more effective than the marines in operating against the insurgents. Following the transfer the number of "contacts" with the Sandino forces did increase,<sup>13</sup> but it is not clear whether this is to be ascribed to greater aggressiveness on the part of the Guard, the *Sandinistas*, or possibly both. Nevertheless, the field of operations of the insurgents, instead of being progressively circumscribed, showed a tendency to expand from the mountainous area in the north down toward the more populous regions of the country. Early in 1931 the situation had become so threatening that a special loan of \$1,000,000 was floated to increase the Guard by 500 men.<sup>14</sup> Despite this move, during the fall of 1932 the rebels became more active and daring than ever, attacking a village within twenty miles of the capital, and threatening the railroad near Leon.<sup>15</sup>

In view of this failure to end the Sandino rebellion, Nicaraguans charge that the military measures adopted by the Intervention were not only ineffective, but that the presence of foreign troops tended to foment the evil which it was intended to cure. In addition, the fundamental question was raised whether the creation of a more efficient army would eventually prove an asset or a liability to Nicaragua. In view of historic conditions in the Caribbean republics, any

attempt to transform the national army into a non-partisan military force independent of politics is regarded by some observers as Utopian. Should the Guard, following the retirement of the American officers, resume the status of a political agency, the Intervention, it is asserted, may simply have created a military tool of greatly increased destructiveness, ready for the hand of the first dictator who can seize it.

A bi-partisan agreement signed on November 5, 1932, which provided for the maintenance of the non-partisan character of the Guard, may serve to forestall this danger, at least for a time. The United States occupation of the Dominican Republic (1916-1924), however, also organized and trained a "non-partisan" Guard. In the 1930 revolution this Guard refused to support the President and permitted the revolutionists to sweep into power unopposed. Subsequently the Guard commander, General Trujillo, was elected President, and the leader of the revolution Vice-President.

### Cost of the Guard

The heavy cost of the National Guard while under American control has also been the topic of extended discussion. In 1931 this cost totaled \$1,104,834, an amount 50 per cent more than the average annual expenditure for war, navy and police during the period 1917-1927, which included the large expense incurred in combating the revolution of 1926-1927.<sup>16</sup> Due to the financial difficulties of the government, practically all the public schools were closed in 1931 and the budget for education reduced from approximately \$600,000 to \$51,000.<sup>17</sup> The budget of the National Guard, however, remained at practically the same figure. Following the termination of the intervention, the Nicaraguan Congress reduced the Guard budget to \$840,000.<sup>18</sup>

### THE CANAL SURVEY

The final period of the American intervention in Nicaragua was also marked by further study of the possibility of an inter-oceanic canal route through the country, a project which has long played an important part in United States-Nicaraguan relations. Under the Bryan-Chamorro treaty, approved in 1916, the United States acquired by the payment of \$3,000,000 "the exclusive proprietary rights" for the construction of a canal.<sup>19</sup>

11. From a total of 5,480 in November 1928, the number of marines was reduced to 1,844 by the beginning of 1930, to 1,153 at the opening of 1931, and to 797 by January 1, 1933, on the eve of final evacuation. *Annual Report of the Collector-General of Customs* (Managua), 1928, p. 4; 1930, p. 67; 1931, p. 50.

12. *Ibid.*, 1931, p. 50. The marine aircraft squadrons, however, continued to assist the Guard by patrolling operations and by the transport of troops. Mulcahy, "Marine Corps Aviation in Second Nicaraguan Campaign," United States Naval Institute *Proceedings*, August 1933, p. 1121-1132.

13. For the twelve-month period, October 1, 1929 to September 30, 1930, Guard headquarters reported 106 engagements (*Annual Report of the Collector-General of Customs*, 1930, cited, p. 65); but during the calendar year 1931, 137 encounters were listed and 170 for the first eleven months of 1932 (statement from an authoritative source).

14. *The United States and Nicaragua*, cited, p. 192.

15. The figures on casualties indicate the growing cost of the military operations. (The data for 1929-1930 are from the *Annual Report of the Collector-General of Customs*, 1930, p. 65; those for 1931 and 1932 are from an authoritative source.)

	Insurgents			National Guard		
	1929-30	1931	1932	1929-30	1931	1932
Killed in action	127	218	302	10	14	24
Wounded in action	84	198	132	19	32	53
Captured	49	58	5	0	0	0

TOTALS 260 474 439 29 46 77

Among American marines the losses for the whole period of the second intervention (1926-1933) numbered 135 killed and 66 wounded. (*New York Times*, January 2, 1933.) Of the total of 135 deaths, however, only 48 were casualties resulting directly from combat duty.

16. W. W. Cumberland, *Nicaragua, an Economic and Financial Survey* (Washington, Government Printing Office, 1928), p. 104; also *Annual Report of the Collector-General of Customs*, 1931, cited, p. 47.

17. *Presupuesto Anual de Gastos, 1931-1932* (Managua), p. 155.

18. *La Prensa* (Managua), May 20, 1933.

19. For the history of the treaty negotiations, cf. "The United States and the Nicaragua Canal," Foreign Policy Association, *Information Service*, May 25, 1928.



On March 2, 1929 a joint resolution of Congress called for a new investigation of "the practicability and probable cost" of an interoceanic canal across Nicaragua, as well as of possible enlargements of the Panama Canal.<sup>20</sup> Following a two-year study by army engineers in Nicaragua, together with special investigations at Panama, the Interoceanic Canal Board presented its report to Congress on December 10, 1931. The report declared that a canal across Nicaragua from Greytown on the Atlantic to Brito on the Pacific by way of the Deseado and San Juan Rivers and through Lake Nicaragua was entirely practicable from an engineering point of view.<sup>21</sup> The canal would have two-way triple-flight locks near each coast and would be 172.8 miles long. Construction would require a period of ten years, with a total estimated cost of \$722,000,000, including \$50,000,000 for fortifications and defense.

The conversion of the Panama Canal into a sea-level waterway is regarded as feasible, but would require twenty-five or thirty years and an expenditure of \$1,000,000,000. Only \$140,000,000, however, would be required to install a third set of locks. Not until 1970, according to estimates based principally on pre-depression statistics, is traffic likely to surpass the present capacity of the canal. With a third set of locks and the additional water made available by the Alhajuela Dam, the canal would prove adequate for all traffic until after the year 2000. Studies made on the possibility of pumping sea water into Gatun Lake indicate "that water for additional lockages can be pumped into the lake at a cost of less than \$250 per lockage, including interest, amortization and operating costs" so that, the report continues, "it is apparent that the ultimate capacity of the Panama Canal with locks is unlimited, and may be increased to any amount desired by constructing additional locks and installing the necessary pumping equipment."<sup>22</sup>

Although the report recognizes certain possible advantages resulting from the construction of the Nicaragua Canal, such as a saving in time, the increased dependability to commerce of two canals, and their allegedly higher strategic value in time of war, no action is recommended by the Canal Board at this time.

"The present conditions of world trade, the necessity for economy in expenditure of public funds, and the facts that traffic through the Panama Canal now requires only about 50 per cent of its capacity and the full capacity when demanded by traffic will be assured by the additional

water supply from the Madden Reservoir (at Alhajuela), with the indication that thus the Panama Canal can serve the needs of interoceanic traffic for some time to come, lead to the conclusion that no immediate steps must be taken to provide increased facilities for passing waterborne traffic from ocean to ocean."<sup>23</sup>

## ENDING OF THE INTERVENTION

The "new Caribbean policy" of President Hoover, which in the case of Haiti led to the appointment of the Forbes Commission in 1930, bore fruit for Nicaragua in February 1931 when Secretary Stimson announced that all marines would be withdrawn following the elections of November 1932.<sup>24</sup> President Moncada for a time apparently cast his influence against a prompt ending of the intervention. He argued for a program which would substitute for the presidential and congressional elections a ballot to choose a President and the members of a constitutional convention. These elections were to be supervised by the United States. To secure the support of Washington, he alleged the constitutional convention was necessary, not only to enact provisions for proportional representation (later provided for in the bipartisan pacts mentioned below), but also to legalize the National Guard and to remove doubts concerning the validity of the Bryan-Chamorro treaty.<sup>25</sup> These tactics, however, were interpreted by his political opponents as designed to assure his own continuance in power. Though a "bi-partisan" commission was despatched to Washington, the Moncada proposals were rejected by Secretary Stimson on March 23, 1932.<sup>26</sup>

Insurgent activities also threatened the plans for withdrawal of the marines. On April 11, 1931, *Sandinistas* killed nine Americans near Puerto Cabezas on the east coast of Nicaragua. Though the protection of American lives had been one argument advanced to justify the beginning of the intervention, Secretary Stimson announced on April 17 that the United States "cannot undertake general protection of Americans" throughout Nicaragua and advised all Americans feeling insecurity "to withdraw from the country, or at least to the coast towns."<sup>27</sup>

Despite these difficulties, the policy looking toward definite termination of the intervention was resolutely and courageously followed, and on January 2, 1933, with the complete evacuation of the country, the Stimson pledge was carried out to the

23. *Ibid.*, p. 18.

24. "The Evacuation of Nicaragua," Foreign Policy Association, *News Bulletin*, February 27, 1931.

25. José María Moncada, *Monografía Histórica and La Reforma se Impone* (Managua, 1932). Many lawyers considered the regulations of the National Guard as contrary to the constitution.

26. *The United States and Nicaragua*, cited, p. 120-124.

27. State Department, *Press Releases*, April 18, 1931, p. 284.

20. *Report of the Interoceanic Canal Board* (Washington, Government Printing Office, 1932), p. 45.

21. Earthquakes do not constitute a serious threat since none of the previous tremors in the area, according to the report, "were of sufficient magnitude to seriously damage massive, well-founded canal structures at either Panama or Nicaragua." *Ibid.*, p. 18.

22. *Ibid.*, p. 31.



letter and the sincerity of the Hoover policy effectively demonstrated. The State Department announced that "no American armed forces will remain in that country, either as instructors in the constabulary, as a legation guard, or in any capacity whatsoever" and declared that this act "marks the termination of the special relationship which has existed between the United States and Nicaragua."<sup>28</sup>

Some apprehension attended the retirement of the marines, since it was feared that, as in 1925, their departure might be speedily followed by the outbreak of disorders. Two events, however, served to clear the political horizon of its most threatening clouds and demonstrated the desire of the Nicaraguans to maintain domestic order.

#### Nicaraguans Cooperate for Peace

The first was the ratification on November 5, 1932, by representatives of both the Liberal and Conservative parties, of three agreements, which assured the "patriotic cooperation" of both groups for the preservation of "a stable peace." The most significant feature of the pacts was the pledge to enact constitutional reform establishing proportional representation in the national Congress, the judiciary and municipal governments, thus providing the losing party with a share in the spoils of office and eliminating one incentive to revolution.<sup>29</sup>

A second important event was the peace agreement signed on February 2, 1933 by President Sacasa and General Sandino.<sup>30</sup> The insurgent leader agreed to disarm his men and cease hostilities while the government granted an amnesty to his followers, promising to allot public lands to those who desired to settle down as farmers; additional employment was to be furnished by a program of public works in the northern area.<sup>31</sup> General Sandino declared in a public statement of February 7 that in his revolt he had never "been animated by a spirit of ill-will" toward the United States, but had fought for patriotic motives to end foreign intervention.<sup>32</sup>

28. *New York Times*, January 2, 1933.

29. For the full text of all but the first agreement, whose details were kept secret, cf. *La Prensa* (Managua), November 17, 1932. In a law of May 2, 1933 the Nicaraguan Congress provided for the appointment of a commission to formulate the constitutional amendments necessary to the enactment of the reforms. An additional reform providing for two bi-partisan commissions, each composed of a cabinet minister and a Liberal and Conservative representative, to pass on important matters in finance and foreign affairs became a law on May 8, 1933. *La Gaceta* (Managua), May 10 and 15, 1933.

30. For the complete text, cf. *La Prensa* (Managua), February 4, 1933.

31. On February 22, 1933 it was reported that all arms had been surrendered. These totaled 400 rifles and 20 machine guns. *Annual Report of the Collector-General of Customs*, 1932, cited, p. 7.

32. On a second visit to Managua in May General Sandino announced that he would found a new political group, the Autonomous Party. He reiterated, however, his intention of "supporting morally" President Sacasa and his administration in the maintenance of public order. *La Prensa* (Managua), May 23, 1933.

#### FINANCIAL RESPONSIBILITIES CONTINUE

Despite the termination of the armed intervention, the United States is not entirely free from commitments in Nicaragua. The National Bank and the Pacific Railroad are now under the control of the Nicaraguan government which owns all the stock in both enterprises. But the United States, in addition to retaining the canal rights acquired under the Bryan-Chamorro treaty, is bound by certain financial responsibilities. An American official approved by the Secretary of State continues to collect the customs which are pledged to the service of the 1909 loan, and the State Department also names two of the three members on the High Commission, a body responsible for payments on the 1918 bonds.<sup>33</sup>

Although the decline in price of Nicaragua's most important exports—coffee, woods, bananas, sugar—has caused the world depression to be felt severely, the public finances of the country are in a relatively favorable condition. The external debt has been cut to a low figure and on February 28, 1933 stood as follows:

English Bonds of 1909	
(Ethelburga Loan) .....	\$2,373,781.37
Guaranteed Customs Bonds of 1918 .....	\$1,117,750.00

TOTAL .....\$3,491,531.37<sup>34</sup>

At the rate of redemption followed in the past, it had been estimated that the 1909 bonds, which mature in 1945, might be amortized by 1938, and the customs bonds by 1941. However, the recent sharp decrease in government revenue, together with the economic shock occasioned by the Managua earthquake,<sup>35</sup> led to a request for a partial suspension on amortization payments during 1932 and 1933. This was granted by the bondholders of both loans, thus lightening the government budget by approximately \$335,000 annually.<sup>36</sup> In addition to the funded debt, the government has outstanding against it claims of \$11,000,000 for damages resulting from revolutionary disturbances. These will be reduced by a claims commission, it is believed, to a total approximating \$2,000,000.

33. The Collector-General of Customs serves as one American appointee on the High Commission; the second position is now vacant.

34. *Annual Report of the Collector-General of Customs*, 1932, cited, p. 11. Costa Rica with a smaller population than Nicaragua, has an external debt exceeding \$18,000,000. Corporation of Foreign Bondholders, *Fifty-Ninth Annual Report* (London, 1932), p. 182.

35. This occurred on March 31, 1931. One thousand persons were killed and perhaps five thousand injured. The fire which followed the quake burned out the heart of Managua, destroying the buildings in thirty-five city blocks and resulting in an estimated damage of \$35,000,000. The National Palace in which most of the government offices were housed was completely lost.

36. *The United States and Nicaragua*, cited, p. 98, 99. To relieve further the government's present financial difficulties, Dr. Salvador Guerrero Montalván, Treasury Minister of the Sacasa government, came to the United States in June 1933 to negotiate a \$1,500,000 loan from the Nicaraguan National Bank. The directorate of the bank still has its official residence in New York City.



## SALVADOR: RECOGNITION AND DEBT DEFAULT

Salvador has recently experienced difficulties with the United States over the 1922 loan contract and Washington's recognition policy in Central America. The recognition question came to the fore as the result of a *coup d'état* carried out in December 1931 by a group of young army officers. This revolt ousted President Arturo Araujo, a well-meaning but vacillating executive, and the Congress promptly authorized Vice-President Maximiliano Hernández Martínez to take office.<sup>37</sup>

### UNITED STATES REFUSES RECOGNITION

Following an investigation of the Martínez government by two diplomatic officials,<sup>38</sup> the State Department declined to recognize the new régime. Since Martínez was War Minister as well as Vice-President at the time of the *coup d'état*, it was held that his government was not not eligible to recognition under the principles of the 1923 Central American treaty. This convention prohibits the recognition as President of any leader in a revolution, or any one who has served as a Secretary of State or has held a high military command within six months preceding the revolt.<sup>39</sup>

Although the failure to recognize the Martínez government was not followed by an American intervention, similar to that which took place in Nicaragua in 1926, the decision of the United States was resented in Salvador. In its decree deposing Araujo and elevating Martínez to the position of titular president, the Salvador Congress declared that the right to revolt was recognized in the Salvador constitution and that nothing in the 1923 treaty could "affect the legitimacy" of the Martínez government.<sup>40</sup> In an official brochure of the Foreign Office, it was pointed out that the 1923 Central American

treaty had been ratified by Salvador subject to a reservation regarding the non-recognition provisions.<sup>41</sup> The view of the State Department, however, was that this reservation merely controlled the recognition policy of Salvador toward the other Central American countries; it did not relieve these countries and the United States of the obligation to apply the principles of the 1923 treaty against the Salvador government. The Washington decision on non-recognition was taken in cooperation with the governments of Guatemala, Honduras and Nicaragua. Although the Martínez administration has not been recognized by the United States or any Central American republic, it has received the recognition of at least twenty-seven states in Europe and Asia, and nine in Latin America.<sup>42</sup>

### 1923 TREATY DENOUNCED

The non-recognition of the Martínez government led to widespread debate in Central America on the recognition question and the merits of the 1923 treaty. Believing that the agreement had infringed the sovereignty of the Central American republics, the Jiménez government of Costa Rica denounced the treaty on December 23, 1932—this action to take effect in January 1934. In a note to each of the other Central American governments don Leonidas Pacheco, the Costa Rican Foreign Minister, stated that Costa Rica, in denouncing this treaty, "did not wish to be regarded as being inspired by the desire to ignore the common interests of Central America, nor to object to the majority of the stipulations which the Treaty contains." The Costa Rican government, "considering the actual state and the history of events which have occurred during the period in which the treaty has existed," (apparently a veiled reference to the 1926-1927 intervention of the United States in

37. Almost immediately the new administration was confronted with a communist uprising, and with serious disorders in the Sonsonate and Ahuachapán districts, where a number of plantation owners were killed. As a whole the Salvador army remained loyal to Martínez. Aided by property owners it engaged in a campaign of reprisals, which resulted in the death of between 3,000 and 7,000 farm laborers suspected of being communists.

When these disturbances began on January 22, 1932 the Italian consul-general requested the United States to safeguard Italian lives and interests. The U.S.S. *Rochester*, carrying the Commander of the Special Service Squadron, and two destroyers were ordered to proceed to Salvador. One British and two Canadian destroyers were given similar orders by their governments. Following conferences between the commanders of these vessels and local United States representatives, however, it was "found unnecessary for the United States forces and British forces to land as the Salvador Government had the situation in hand." Statement of Admiral Pratt. Cf. United States, 72nd Congress, 1st Session, *Hearings before the Subcommittee of House Committee on Appropriations, Navy Department Appropriation Bill for 1933* (Washington, Government Printing Office, 1932), p. 113.

38. Messrs. Jefferson Caffery and Freeman Matthews. State Department, *Press Releases*, December 19, 1931, p. 587.

39. Cf. R. L. Buell, "The United States and Central American Revolutions," *Foreign Policy Reports*, July 22, 1931.

40. Decree of February 4, 1932, reprinted in *Nuestro Diario* (Guatemala City), February 8, 1932.

41. This brochure is reprinted in *Nuestro Diario* (Guatemala City), February 13-16, 1932. For the text of the reservations to the 1923 treaty, cf. República de El Salvador, *Diario Oficial*, June 4, 1925; also Dr. Luis Anderson, "Estatus del gobierno que preside en la República de El Salvador el General D. Maximiliano Hernández Martínez, conforme a la Constitución y a los tratados de Washington," *Revista de Derecho Internacional*, September 30, 1932. Dr. Anderson, a leading Costa Rican jurist, was retained by the Martínez government to present its case for recognition to Washington. The State Department declined to receive Dr. Anderson.

42. According to the Salvador Ministry of Foreign Affairs (August 1933), the Martínez government has been recognized by Austria, Belgium, China, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Greece, Great Britain, Holland, Hungary, Italy, Japan, Lithuania, Norway, Persia, Poland, Portugal, Rumania, Siam, Spain, Sweden, Switzerland, Turkey and the Vatican; and in Latin America by Bolivia, Chile, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

The Washington correspondent of the *London Times* reported that Secretary Stimson had requested Great Britain to withhold recognition of the Martínez government but that Great Britain had declined to do so, thus arousing resentment in the State Department. *The Times* (London), September 28, 1932, p. 11.



Nicaragua) did believe that some of the clauses establishing "obligations affecting the sovereignty and independence of the signatory republics" should be set aside.<sup>43</sup> On December 28, 1932 the Martínez government also denounced the 1923 treaty.

The Guatemala government, headed by General Jorge Ubico, strongly opposed such abrogation, and particularly criticized the methods followed by Costa Rica. According to Dr. Skinner Klee, the Guatemalan Foreign Minister, the Costa Rican government had invited Guatemala to attend a Central American conference in April 1933 to consider what action should be taken regarding the treaty, but had then proceeded to denounce it without awaiting the deliberations of the conference.<sup>44</sup> Guatemala raised the question, moreover, whether the abrogation of the 1923 treaty by Martínez had any validity, since he had not been recognized.

Despite the action of Costa Rica and Salvador, the 1923 treaty may continue technically in force, even beyond January 1, 1934.<sup>45</sup> However, the division of opinion existing among the signatory countries indicates clearly the importance of convening a Central American conference in 1934, to draft a new agreement commanding more general support. Previous conferences in 1907 and 1923 were called on the initiative of the United States.<sup>46</sup> Whether Washington or the Central American republics assume the responsibility for convening the proposed 1934 gathering, the discussions of such a conference will confront the United States with the necessity of choosing between the continuance of its past recognition policy in Central America or modifying that policy in accordance with the wishes of the five Central American states.<sup>47</sup>

## DEBT DEFAULT

On February 27, 1932 the Martínez government defaulted on the American loan of \$21,000,000 made in 1922. A decree ordered that the customs duties which had hitherto been paid over to a fiscal representative, Mr.

W. W. Renwick, representing the American bankers, should hereafter be paid to the local treasury.<sup>48</sup> Under the 1922 loan contract the American bankers had the right not only to maintain a fiscal representative in Salvador to receive the customs pledged for the loan but also, in case of default, to establish a customs receivership, in cooperation with the State Department.<sup>49</sup> The Hoover Administration was now confronted with the question, whether in accordance with the understanding of 1922, it should assist the bankers in establishing a receivership in one of the proudest countries in Latin America, at a time when defaults were a common occurrence throughout the world. The State Department apparently came to the conclusion that such a course would be widely resented. It therefore declined to assist the bankers, basing its stand on the fact that the United States had not recognized the Martínez government. On May 16, 1933 the Salvador Congress approved an agreement negotiated with the representative of the bondholders, suspending amortization payments on the loan, but providing for future interest payments, partly in cash and partly in certificates.<sup>50</sup> The bondholders may point out, however, that Salvador, unlike other countries in default, has been exempt from marked decrease in its public revenues. Thus the customs for the first quarter of 1933 totaled 4,255,781 colones,<sup>51</sup> as compared with 4,867,488 colones for a similar period in 1929. Apparently one fundamental cause for the default in Salvador is the general unpopularity of the 1922 loan contract.<sup>52</sup>

48. For the text of the decree of February 27, 1932 cf. *Nuestro Diario* (Guatemala City), March 2, 1932. For the text of the loan contract of June 24, 1922, cf. Robert W. Dunn, *American Foreign Investments* (New York, Viking Press, 1926), p. 222; also *Memoria, Hacienda y Crédito Público* (San Salvador, 1924), pp. 12 ff.

49. The relationship of the United States government to this loan was defined in Article IX of the contract which declared that disagreements between the Republic and the bankers "shall be referred to the Chief Justice of the Supreme Court of the United States, through the Secretary of State of the said United States of America, for determination, decision and settlement. . . ." and in Article XIX which provides that in case of default, "the Fiscal Agent shall select, with the concurrence of the Secretary of State of the United States of America, two individuals, competent in their opinion to discharge the duties of Collector General" of customs. One of these individuals should be appointed Collector General by the Salvador government. For a critique cf. "Mr. Hughes Makes a Secret Alliance," *The Nation* (New York), October 24, 1922. The Manufacturers Trust Company is the Fiscal Agent under the Salvador loan contract.

50. Cf. letter of June 16, 1933, issued by the Bondholders Protective Committee for Republic of El Salvador, 120 Wall Street, New York City; and also *La Prensa* (New York), May 17, 1933.

51. The colón at par of exchange is equivalent to fifty cents United States currency.

52. Thomas F. Lee, *Latin American Problems* (New York, Brewer, Warren and Putnam, 1932), p. 175. A recent publication in Salvador declares: "Either the United States and Great Britain must buy from Salvador more products than at present and at prices which will leave a reasonable margin, or Salvador must restrict its shipments of gold, and reduce imports, dividends and payments on the 1922 loan." *Cuadernos de Economía* (San Salvador), December 1932, Part II, p. 6.

43. Text in *La Tribuna* (San José), reprinted in *Nuestro Diario* (Guatemala City), December 28, 1932.

44. *Nuestro Diario* (Guatemala City), January 17, 1933.

45. Article 18 of the treaty provides, "From the first of January nineteen hundred and thirty-four, it shall continue in force until one year after the date on which one of the parties bound thereby notifies the others of its intention to denounce it. The denunciation of this Treaty by one or two of said Contracting Parties shall leave it in force for those Parties which have ratified it and have not denounced it, provided that these be no less than three in number." *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, Government Printing Office, 1923), p. 294.

46. Though not a signatory of the 1923 treaty, the United States has governed its recognition policy to accord with that agreement.

47. For a discussion of the problems facing such a conference, cf. R. L. Buell, "Union or Disunion in Central America," *Foreign Affairs*, April 1933.